



## STATE BOARD OF EQUALIZATION STAFF LEGISLATIVE BILL ANALYSIS

Date Amended:	<b>05/13/03</b>	Bill No:	<b>SB 314</b>
Tax:	<b>Transactions and Use</b>	Author:	<b>Murray</b>
Board Position:		Related Bills:	<b>SB 402 (Florez)</b> <b>SB 566 (Scott)</b> <b>SCA 2 (Torlakson)</b> <b>AB 1412 (Wolk)</b> <b>ACA 7 (Dutra)</b>

### BILL SUMMARY

This bill would authorize the Los Angeles County Metropolitan Transportation Authority, with the approval of the voters in Los Angeles County, as required by law, to levy a transactions and use tax at a rate of 0.50 percent for the funding of specified transportation-related projects.

#### Summary of Amendments

The introduced version of this bill (dated February 19, 2003) was a spot bill that made a nonsubstantive change to Section 10753.7 of the Revenue and Taxation Code, related to vehicle license fees. Subsequently, this bill was amended on March 27, 2003, April 30, 2003, and May 13, 2003 (see Comment 2 for explanation of amendments). The May 13, 2003 amendments added provisions prohibiting the Los Angeles County Metropolitan Transportation Authority from either incurring new bonded indebtedness or expending revenues derived from that indebtedness to fund transportation projects, as specified.

### ANALYSIS

#### Current Law

The **Transactions and Use Tax Law** (Parts 1.6 and 1.7, Division 2, Revenue and Taxation Code) authorizes counties to impose a transactions and use tax at a rate of 0.25 percent, or multiple thereof, if the ordinance imposing that tax is approved by the voters. Under all sections of the Transactions and Use Tax Law, the maximum allowable combined rate of transactions and use taxes levied in any county may not exceed 1.50 percent, with the exception of the City and County of San Francisco and the County of San Mateo, whose combined rates may not exceed 1.75 and 2 percent, respectively.

Section 7285 of the Transactions and Use Tax Law additionally allows counties to levy a transactions and use tax at a rate of 0.25 percent, or multiple thereof, for general purposes with the approval of a majority of the voters. Section 7285.5 permits the board of supervisors of any county to levy a transactions and use tax at a rate of 0.25 percent, or multiple thereof, for specific purposes with the approval of two-thirds of the voters.

*This staff analysis is provided to address various administrative, cost, revenue and policy issues; it is not to be construed to reflect or suggest the Board's formal position*

Counties are required to contract with the Board to perform all functions in the administration and operations of the ordinances imposing the transactions and use taxes.

**Senate Bill 147 (Chapter 786, Statutes of 1987, Deddeh)** added Division 19 (commencing with Section 180000) to the Public Utilities Code. This division is known as the Local Transportation Authority and Improvement Act (LTAIA). The LTAIA authorizes a county board of supervisors to create an authority within the county or designate a transportation planning agency pursuant to Section 29532 of the Government Code, and to impose a transactions and use tax with a majority approval of the voters. However, subsequent court decisions held that a transportation sales tax measure is a special tax that requires approval by a two-thirds vote. Additionally, Proposition 218 (passed by the voters on November 5, 1996) requires, among other things, that (1) any tax imposed for specific purposes must be approved by two-thirds of the voters; and (2) any tax imposed for a specific purpose is a "special tax," even if the funds are placed into a general fund.

The LTAIA also provides that a transactions and use tax shall remain in effect for not longer than 20 years, or any lesser period of time as specified in the tax ordinance. The revenues from these taxes may be allocated by the authority for the construction, maintenance, improvement, and operation of local streets, roads, and highways, and the construction, improvement, and operation of public transit systems. The authority shall contract with the Board of Equalization to perform all functions incidental to the administration and operation of the ordinance.

### **Proposed Law**

This bill would add Section 130350.5 to the Public Utilities Code to authorize the Los Angeles County Metropolitan Transportation Authority to impose a transactions and use tax at a rate of 0.50 percent, with a majority voter approval of the entire membership of the authority and approval by the voters of the incorporated and unincorporated areas of Los Angeles County, as required by law. The tax would be imposed for a period of five years or less. The tax revenues would be used for the following purposes: (1) the Exposition Boulevard Light Rail Transit Project; (2) construction of sound walls included in the authority's list of soundwall projects for the County of Los Angeles; (3) expansion of the capacity of the Interstate 405 freeway; and (4) the Crenshaw transit line.

The tax would be levied pursuant to existing Transactions and Use Tax Law (Part 1.6 of Division 2 of the Revenue and Taxation Code) and be operative on the first day of the first calendar quarter commencing not less than 180 days after adoption of the ordinance. This bill would provide that the tax would not be subject to the combined rate limitation under Section 7251.1 of the Revenue and Taxation Code.

This bill would also provide that the Los Angeles County Metropolitan Transportation Authority may not: (1) incur bonded indebtedness for funding of the projects as specified in the provisions of this bill; and (2) use revenues derived from bonded indebtedness to fund the projects specified in this bill.

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### In General

Currently, Los Angeles County has three transactions and use taxes being levied within its borders. The Los Angeles County Metropolitan Transportation Authority (created in February 1993 as a result of the merger between Southern California Rapid Transit District and Los Angeles County Transportation Commission) imposes two transactions and use taxes at a rate of 0.50 percent each (1/2 percent) for a total county-wide transactions and use tax rate of 1 percent. The combined state and local tax rate throughout Los Angeles County, with the exception of the City of Avalon, is 8.25 percent. The City of Avalon in Los Angeles County imposes a 0.50 percent (1/2 percent) transactions and use tax, for a total combined state and local tax rate within the City of Avalon of 8.75 percent. Because the City of Avalon imposes a 0.50 percent (1/2 percent) tax and the Los Angeles County Metropolitan Transportation Authority imposes a countywide 1 percent tax, Los Angeles County has reached the maximum allowable rate of 1.5 percent and, therefore, is prohibited from imposing any additional countywide transactions and use taxes.

Senate Bill 566 (Scott) of 2003 proposes to increase the combined maximum transactions and use tax rate in Los Angeles County from 1.5 percent to 2 percent.

### COMMENTS

1. **Sponsor and purpose.** This bill is sponsored by the Los Angeles County Metropolitan Transportation Authority in an effort to provide additional funding for specific transportation projects, both highway and transit oriented. According to the author's staff, Los Angeles County has many transportation projects and improvements which have insufficient or no funding or are years away from being funded.
2. **Key amendments.** The **March 27 amendments** amended sections in the Public Utilities Code, Revenue and Taxation Code, Street and Highways Code, and the Vehicle Code, related to transportation. The **April 30 amendments** authorized the Los Angeles County Metropolitan Transportation Authority to impose a transactions and use tax at a rate of 0.50 percent for 5 years or less, for the funding of specified transportation-related projects. The amendments also provided that the tax would be subject to approval of the voters in Los Angeles County, as required by law. The **May 13 amendments** would prohibit the Los Angeles County Metropolitan Transportation Authority from either incurring bonded indebtedness for the funding of the projects specified in the bill or expending revenues derived from bonded indebtedness to fund the projects specified in the bill.
3. **Suggested amendment to delete certain language in the bill.** This bill would provide that a tax would be proposed in a transactions and use tax ordinance, as described in the Transactions and Use Tax Law (Part 1.6 of Division 2 of the Revenue and Taxation Code), *except as inconsistent with this section*. The language "except as inconsistent with this section" is unclear. Does the author mean that there can be a provision in the ordinance that is not required under the Transactions and Use Tax Law? Or, does the author mean one or more administrative provisions of Part 1.6 are not intended to apply to this tax? The Board staff suggests that this language be eliminated from the bill. In the alternative, if the

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author does not want something required by Part 1.6 to apply, then language could be added excluding certain provisions of Part 1.6 from the tax.

4. **This bill contains an exclusion from the rate limitation in Section 7251.1 of the Transactions and Use Tax Law.** As previously stated, Los Angeles County is currently prohibited from imposing an additional county-wide transactions and use tax (City of Avalon tax pushes Los Angeles County to the 1.5 percent cap). However, this bill contains a provision which excludes this tax from the 1.5 percent cap.
5. **Related Legislation.** Two bills introduced during 2003 would authorize a special district or cities to impose a transactions and use tax. **SB 402 (Florez)** would authorize the City of Coalinga and the City of Huron, with the approval of two-thirds of the voters, to levy a transactions and use tax at a rate not less 0.25 percent, but not to exceed 0.50 percent, for recreation and park services by the Coalinga-Huron Recreation and Park District within the boundaries of the cities of Coalinga and Huron. **AB 1412 (Wolk)** would authorize the cities of American Canyon, Benicia, Beverly Hills, Calistoga, Capitola, Colton, Culver City, Fairfield, Fontana, King City, Los Angeles, Malibu, Monterey, Napa, Pacific Grove, Rialto, Rio Vista, Rohnert Park, San Bernardino, San Fernando, Sand City, Santa Cruz, Santa Monica, Santa Rosa, Scott's Valley, Soledad, St. Helena, Suisun City, Vacaville, Vallejo, West Hollywood, Winters, and Yountville, subject to either a two-thirds or majority voter approval, depending on how the revenues will be spent, to levy a transactions and use tax at a rate of 0.25 or 0.50 percent. This bill would also authorize the City of Petaluma, subject to either two-thirds or majority voter approval, depending on how the revenues will be spent, to levy a transactions and use tax at a rate of 0.25, 0.50, 0.75, or 1 percent.

Additionally, two bills introduced in 2003 would place on the ballot a constitutional amendment to lower the voter approval requirement for special purpose transportation taxes. **SCA 2 (Torlakson)** would constitutionally authorize counties, cities and counties, local transportation agencies, and regional transportation agencies, with the approval of a majority of the voters in the jurisdiction, to impose a transactions and use tax to be used exclusively for funding transportation projects and services and related smart growth planning. **ACA 7 (Dutra)** would constitutionally authorize local transportation agencies and regional transportation agencies, with the approval of 55 percent of the voters in the jurisdiction, to impose a transactions and use tax for a period of 20 to 30 years, as specified, at a rate of 0.50 percent to be used exclusively for transportation purposes.

Finally, **SB 566 (Scott)** would provide that, with respect to Los Angeles County, the combined rate of transactions and use taxes may not exceed 2 percent.

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## **COST ESTIMATE**

This bill does not increase administrative costs to the Board because it only authorizes the Los Angeles County Metropolitan Transportation Authority to impose a tax. However, if the voters of Los Angeles County approve the county initiative imposing the tax, the authority would be required to contract with the Board for its preparation costs, as well as the ongoing costs for the Board's services in actually administering the ordinance.

Assembly Bill 836 (Sweeney, Chapter 890, Statutes 1998) required the Board to cap administrative costs based on the lesser of the ratio during the first full year the tax is in effect, or a predetermined amount based on the tax rate and applied to the revenues generated in the special taxing jurisdiction. The maximum administrative costs for a special taxing jurisdiction imposing a transactions and use tax of 0.25 percent (1/4 percent) is capped at 3 percent of the revenue generated, while the maximum for a tax of 0.50 percent (1/2 percent) or greater is capped at 1.5 percent.

If the Los Angeles County Metropolitan Transportation Authority were to impose a tax, the maximum amount that the Board could charge would be \$8,040,000 (1.5% X \$536,000,000). Currently, there are two transactions and use taxes each at a rate of 0.50 percent (1/2 percent) being imposed by the Los Angeles County Metropolitan Transportation Authority (formerly Los Angeles County Transportation Commission). For these taxes, the Board's estimated assessment of administrative costs for the fiscal year 2002-03 was 6.5 million each. Based on this information, the Board does not anticipate that the administrative costs would exceed the cap.

## **REVENUE ESTIMATE**

Taxable sales in the County of Los Angeles during fiscal year 2001-02 was \$107.2 billion. A 0.50 percent transactions and use tax in Los Angeles County would raise an estimated \$536 million annually.

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**Attachment 1**  
**California Sales, Transactions and Use Tax Rates by County**  
**Effective 01/01/03**

<b>01 Alameda</b>	
State	6.00
Local	1.25
ACTA#	0.50
ACTI#	0.50
BART	0.50
	<hr/> 8.25

<b>02 Alpine</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>03 Amador</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>04 Butte</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>05 Calaveras</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>06 Colusa</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>07 Contra Costa</b>	
State	6.00
Local	1.25
CCTA	0.50
BART	0.50
	<hr/> 8.25

<b>08 Del Norte</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>09 El Dorado</b>	
State	6.00
Local	1.25
PLPS*	0.25
	<hr/> 7.50

<b>10 Fresno</b>	
State	6.00
Local	1.25
FCTA	0.50
FCPL	0.125
CCPS*	0.30
	<hr/> 8.175

<b>11 Glenn</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>12 Humboldt</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>13 Imperial</b>	
State	6.00
Local	1.25
IMTA	0.50
CXHD*	0.50
	<hr/> 8.25

<b>14 Inyo</b>	
State	6.00
Local	1.25
INRC	0.50
	<hr/> 7.75

<b>15 Kern</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>16 Kings</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>17 Lake</b>	
State	6.00
Local	1.25
CLPS*	0.50
	<hr/> 7.75

<b>18 Lassen</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>19 Los Angeles</b>	
State	6.00
Local	1.25
LATC	0.50
LACT	0.50
AMHC*	0.50
	<hr/> 8.25

<b>20 Madera</b>	
State	6.00
Local	1.25
MCTA	0.50
	<hr/> 7.75

<b>21 Marin</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>22 Mariposa</b>	
State	6.00
Local	1.25
MCHA	0.50
	<hr/> 7.75

<b>23 Mendocino</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>24 Merced</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>25 Modoc</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>26 Mono</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>27 Monterey</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>28 Napa</b>	
State	6.00
Local	1.25
NCFP	0.50
	<hr/> 7.75

<b>29 Nevada</b>	
State	6.00
Local	1.25
NVPL	0.125
TRSR*	0.50
	<hr/> 7.875

<b>30 Orange</b>	
State	6.00
Local	1.25
OCTA	0.50
	<hr/> 7.75

<b>31 Placer</b>	
State	6.00
Local	1.25
	<hr/> 7.25

<b>32 Plumas</b>	
State	6.00
Local	1.25
	<hr/> 7.25

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**California Sales, Transactions and Use Tax Rates by County**  
**Effective 01/01/03**

<b>33 Riverside</b>	
State	6.00
Local	1.25
RCTC	0.50
	<u>7.75</u>

<b>34 Sacramento</b>	
State	6.00
Local	1.25
STAT	0.50
	<u>7.75</u>

<b>35 San Benito</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>36 San Bernardino</b>	
State	6.00
Local	1.25
SBER	0.50
	<u>7.75</u>

<b>37 San Diego</b>	
State	6.00
Local	1.25
SDTC	0.50
	<u>7.75</u>

<b>38 San Francisco</b>	
State	6.00
Local	1.25
SFTA	0.50
SFPF	0.25
BART	0.50
	<u>8.50</u>

<b>39 San Joaquin</b>	
State	6.00
Local	1.25
SJTA	0.50
	<u>7.75</u>

<b>40 San Luis Obispo</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>41 San Mateo</b>	
State	6.00
Local	1.25
SMTA	0.50
SMCT	0.50
	<u>8.25</u>

<b>42 Santa Barbara</b>	
State	6.00
Local	1.25
SBAB	0.50
	<u>7.75</u>

<b>43 Santa Clara</b>	
State	6.00
Local	1.25
SCCT	0.50
SCGF	0.50
	<u>8.25</u>

<b>44 Santa Cruz</b>	
State	6.00
Local	1.25
SCMT	0.50
SZPL	0.25
	<u>8.00</u>

<b>45 Shasta</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>46 Sierra</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>47 Siskiyou</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>48 Solano</b>	
State	6.00
Local	1.25
SLPL	0.125
	<u>7.375</u>

<b>49 Sonoma</b>	
State	6.00
Local	1.25
SCOS	0.25
SEGR	0.25
	<u>7.75</u>

<b>50 Stanislaus</b>	
State	6.00
Local	1.25
STCL	0.125
	<u>7.375</u>

<b>51 Sutter</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>52 Tehama</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>53 Trinity</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>54 Tulare</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>55 Tuolumne</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>56 Ventura</b>	
State	6.00
Local	1.25
	<u>7.25</u>

<b>57 Yolo</b>	
State	6.00
Local	1.25
WOGT*	0.50
WSTU	0.50
	<u>8.25</u>

<b>58 Yuba</b>	
State	6.00
Local	1.25
	<u>7.25</u>

#ACTA expired 3/31/02 and ACTI became operative 4/1/02. The tax rate remained unchanged at 8.25%.  
The tax in this district is not imposed throughout the county; it is a citywide tax. The county total includes the citywide district tax.